



# **Recognition of Scope Change in the IPMR**

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**NAVY CEVM**





# Outline

- Definitions
- IPMR requirements
- Example with scope added
- Example with scope removed (de-scope)
- Authorized Unpriced Work (AUW)
- Summary





# Definitions

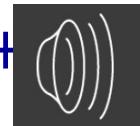
- De-Scope - The removal of a specific scope of work from the contract (may be partially completed or all in future)
- Definitized - Work scope is “definitized” when the contract has been officially modified for the agreed upon scope & value
- Negotiated Cost - The contractually agreed upon cost of the definitized effort. This excludes fee
- Authorized Unpriced Work (AUW) - Budget/Work scope that has been authorized in writing by the Procuring Contracting Officer (PCO), but has not yet been definitized. It is typically supported by a Rough Order of Magnitude (ROM) estimate or Engineering Change Proposal (ECP) value. Fee is also excluded from AUW





## Definitions (Cont.)

- Undistributed Budget (UB) – budget which is being held for specific known scope, but which has not yet been distributed to WBS elements at or below the reporting level
- Management Reserve (MR) – budget which is being held without specific known scope for management control purposes, such as risk mitigation activity
- Performance Measurement Baseline (PMB) = UB + Distributed budget (time-phased in control accts)
- Contract Budget Base (CBB) = Performance Management Baseline (PMB) + Management Reserve (MR)
- Contract Estimated/Target Cost = Negotiated Cost + AUW





# IPMR Requirements

- 3.2.1.3. Estimated Cost of Authorized, Unpriced Work (AUW)
- 3.2.1.3.1. AUW value shall represent the Procuring Contracting Officer's (PCO) best estimate of the authorized scope for inclusion in the baseline. Authorized, Unpriced Work is approved work scope that has not been definitized. The total dollar value (excluding fee or profit) of AUW shall be entered in Block 5.c.
- 3.2.1.3.2. **AUW can never be a negative value.** For effort de-scaled and not yet reflected in the Contract Budget Base (CBB), report the estimated value in Format 5 (see 3.6.11.3).
- UB is used to accommodate temporary situations where time constraints prevent adequate budget planning or where contract effort can only be defined in very general terms.
- UB shall not be used as a substitute for adequate contract planning. **Budgets shall be allocated within the PMB to responsible organizations at the earliest possible time, preferably within the next reporting period.**
- **UB can never be negative.** If a contractual de-scope change occurs and the effort has not been removed from time-phased PMB, the amount shall be discussed in Format 5. Discuss when the de-scope will be removed from PMB and placed into UB.





# Contractual Change with Scope Added

- Government Contracts Officer authorizes ECP 105 scope
- AUW must reflect current scope change authorized in the current period. It is increased \$100K based on ECP.
- UB is immediately increased by \$100K until the amount can be distributed.
- Upon definitization of the change (\$95K at cost):
  - The AUW pre-negotiated amount of \$100K is eliminated
  - Negotiated Cost is increased \$95K per the contract mod
  - UB is adjusted for the delta between the final negotiated value and the AUW/ECP value ( $\$95K - \$100K = \$5K \downarrow$ ). In a situation where all UB has already been distributed and the negotiated value is less than estimated, the PMB must be reduced instead.





# Contractual Change with Scope Removed

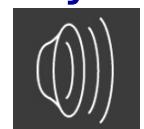
- Stop work order on ECP 105 is issued
- All ECP 105 effort stops, and the contractor begins identification and transfer of the budget/scope from the PMB to UB pending a contract modification
- Once the descope is definitized and all associated budget has been transferred from the PMB to UB, IPMR negotiated contract cost and UB are reduced
  - Negative AUW/UB entries should never be used to offset the PMB for a pending descope
- Until the budget/scope are completely removed from the IPMR, the contractor shall address in Format 5:
  - the total anticipated value of each pending descope
  - total PMB distributed portion of stop work/descope effort
  - the anticipated removal date





# Clarification of AUW

- Properly recorded, an AUW value provides a best estimate of the total cost of a specific piece of scope
  - The only way to limit AUW is to limit the scope statement
- Not to Exceed (NTE) amounts are funding constraints that temporarily limit spending only. An NTE does not limit scope or associated cost estimates
- Consider the following examples:
  - Authorization for ECP 1234 subject to a Not-To-Exceed \$22M; where ECP is \$100M at cost. AUW is increased \$100M consistent with the ECP total scope.
  - Authorization for ECP 1234 long lead parts WBS XYZ only, subject to a Not – To – Exceed of \$2M; where the long lead was proposed at \$2M. AUW is increased \$2M, consistent with the long lead authorization.





# Summary

- The IPMR DID requirements help standardize the way scope additions/deletions are reflected in IPMR reporting
- UB should be cleared as quickly as possible following contract modification
  - Into the PMB/MR for a scope addition
  - Removed from IPMR UB/negotiated contract cost for a descope
- AUW should be used for scope additions only, and neither UB nor AUW are allowed to be negative numbers
- Following a stop work or descope modification, the value and status of any pending descope actions must be conveyed in Format 5
- If work is authorized prior to definitization, any





# Point of Contact

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